


AR04

THE BECK'S MILK COMPANY LIMITED Annual Report Year ended April 30, 1974

Jim
we had figures in July
might check in Berpee piece





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Some of Becker's private label products

Highlights of the year

	Year Ended April 30		Percentage
	1974	1973	Change
Sales	82,512,538	76,084,930	+ 8.4
Operating earnings	5,533,008	3,950,902	+ 40.0
Net earnings	2,005,198	1,364,698	+ 46.9
Earnings per share	1.15	.77	+ 49.4
Long term debt	2,268,244	2,433,004	— 6.8
Shareholders' equity	10,755,786	9,042,693	+ 18.9
Shares outstanding — Class A	5,675	5,675	—
— Class B	1,179,610	1,179,610	—
— Common	540,750	540,750	—
Number of Stores	412	392	+ 5.1



Robert Lowe



Frank A. Bazos

Directors' report to the shareholders

The fiscal year ended April 30, 1974 was the most successful in your company's history. This year has produced increased sales, a greater increase in earnings and record earnings per share. These accomplishments attest to the effectiveness of your management in their decisions of consolidation and adjustments in facing increased cost and competition.

Company sales for this fiscal year were \$82,512,538 for an increase of \$6,427,608 for the year. This is an increase of 8% over last year but only reflects the increase in sales by your company through company owned stores and sales to Becker franchise stores. If the retail sales of The Becker Franchise Stores were also included in the total company sales, this increase would be greater than the 8% increase shown.

Sales increases were also tempered this fiscal year by an actual decrease in the retail price of milk brought on by a Federal Government subsidy. This subsidy was apportioned between the farmer producers, the processors and the consuming public, resulting in a reduction of 1 cent per quart in the retail price. We therefore were involved in the processing and retailing of the one major food product — MILK — wherein the price to the consumer was actually less than the previous year.

Net earnings from operations of your company were \$2,005,198 compared to net earnings of \$1,364,698 last year. This is an increase of 47% over earnings of the previous year. Our per share earnings this year amounted to \$1.15 compared to .77¢ for last year.

The increased net earnings have been achieved even though we were faced with many new experiences and problems during the year. We were challenged by the continued increase in operating costs, the high rate of inflation, increased restrictions caused by governmental regulations and other problems caused by economic uncertainty. We had to be continually alert to these changes and pressures in order to minimize the effects of these problems.

We have completed the expansion of our ice cream plant and now have the facilities in operation. The new machinery and storage space has increased our capacity by more than three times. In addition we have the space and the plans to add new frozen novelties to our production capacity. This will enable us to add more Becker products for sale in our stores and will increase our profitability on these lines.

We have also added to the milk production equipment in our plant, increasing the production capacity and modernizing the processing and filling operation to make this department more efficient. An automatic computerized cleaning operation has also been installed.

We continue to open new stores but on a much more selective basis than in the past. The price and rental value of property has become so costly that the point of profitability has now been raised much higher than in the past. While there were fewer stores available due to reduced commercial construction, we did open 28 stores this year.

We find that the consumer acceptance of our stores and products continues at a highly satisfactory level and we are pleased at the volume of sales realized when a new store is opened. We expect that we will have between forty and fifty new stores in operation this coming fiscal year.

Our capital expenditures for this fiscal year continued at the same level as the past year and it appears that it will be the same for this coming fiscal year.

We have been able to finance our capital expenditures from the cash flow from operations and continually increased our company's working capital position. We feel that with inflation so rampant and the possibility of adverse economic conditions that our company is in an excellent position to meet any problems or opportunities which may arise.

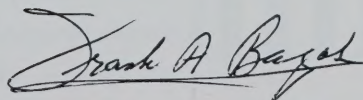
Our company has also been able to extend the availability of long term financing which was to expire June 1974. We were able to negotiate an extension of the time limit to January 1, 1977 for the availability of an additional \$2,000,000 from the company's bankers under the series C debenture agreement.

We have continued to expand our franchising programme and are pleased to report that it is working well. We now have 48 franchised stores operating under the Becker name. The franchise dealers are doing a commendable job and we are happy to have them associated with our company. The results continue to be favourable.

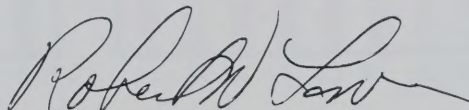
The progress of your company has been steadily maintained since its inception and we look forward to the coming year with confidence that our achievements will continue the company's growth. The convenience store concept specializing in dairy products is an integral and dynamic part of the retail food industry.

The effort and dedication of our employees and the ability of our experienced management team was of primary importance in the results of your company. The support of our shareholders, suppliers and customers helped to make our progress and achievement possible. With this support, we are confident that your company will continue to prosper.

Sincerely,

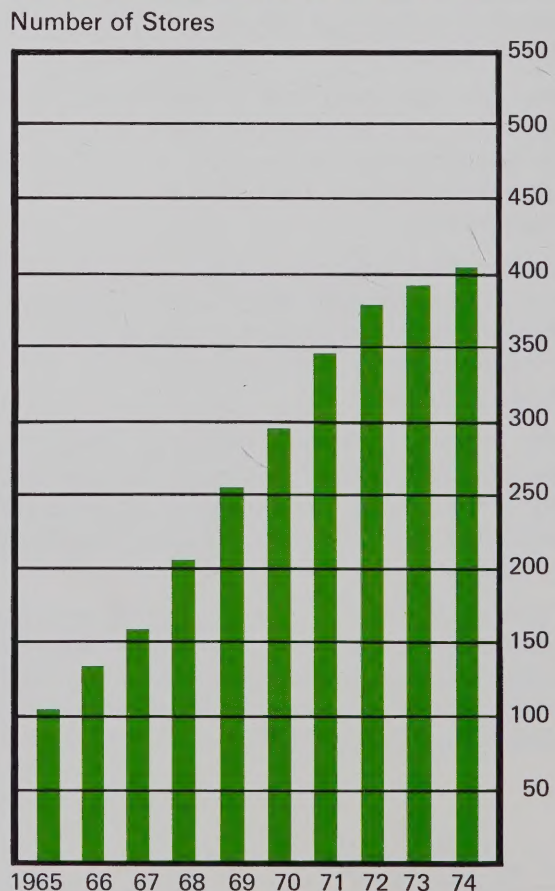
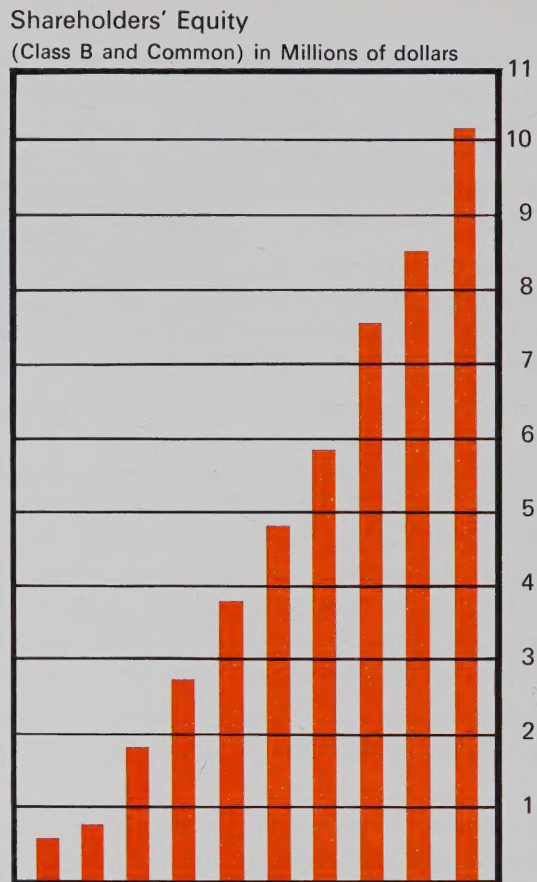
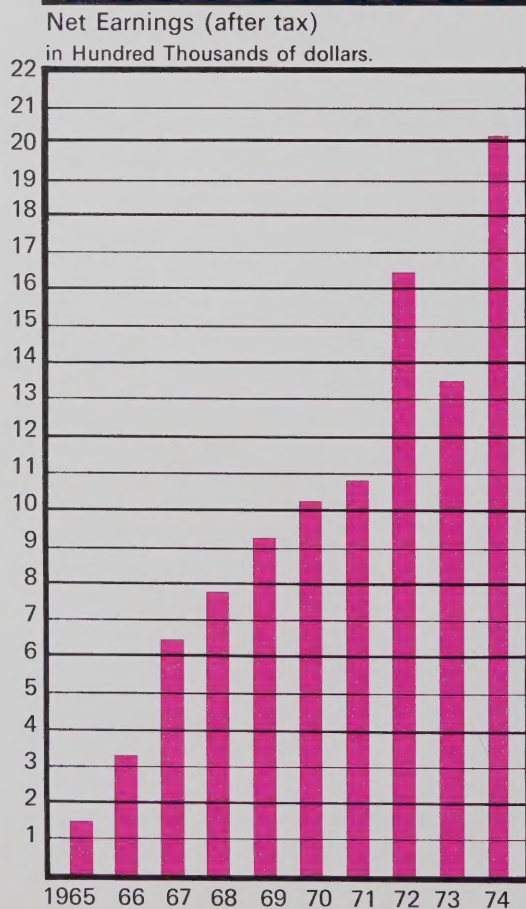
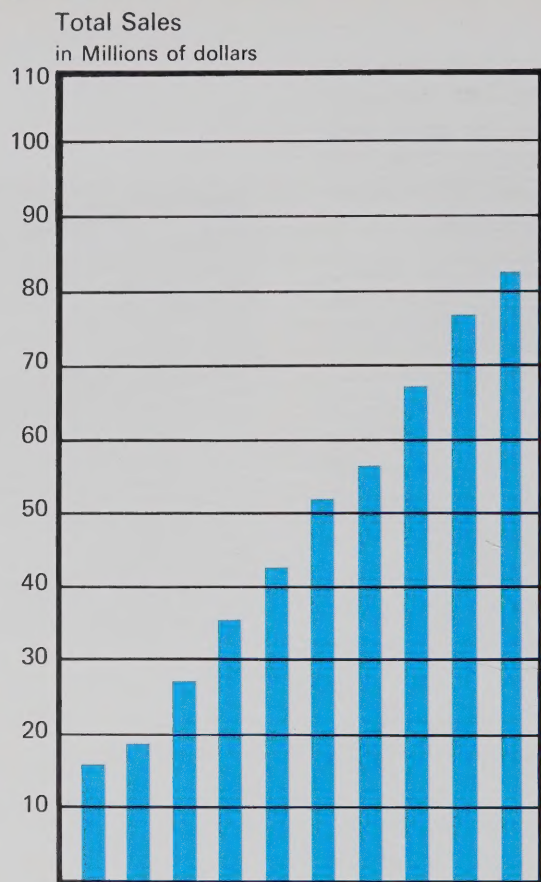


Chairman of the Board



President

Financial Position



The Becker Milk Company Limited and Subsidiary Companies

Consolidated Statement of Retained Earnings

For the year ended April 30, 1974

	1974	1973
	\$	\$
Balance at beginning of year	7,607,450	6,448,838
Net earnings for the year	<u>2,005,198</u>	<u>1,364,698</u>
	<u>9,612,648</u>	<u>7,813,536</u>
Dividends — class A preference shares	34,050	34,050
— class B preference shares	176,942	117,961
— common shares	<u>81,113</u>	<u>54,075</u>
	<u>292,105</u>	<u>206,086</u>
Balance at end of year	<u><u>9,320,543</u></u>	<u><u>7,607,450</u></u>

Consolidated Statement of Earnings

For the year ended April 30, 1974

	1974	1973
	\$	\$
Sales — Note 11	82,512,538	76,084,930
Cost of goods sold	<u>59,449,307</u>	<u>55,497,828</u>
Gross profit	23,063,231	20,587,102
Operating expenses	<u>17,530,223</u>	<u>16,636,200</u>
Earnings before depreciation and amortization, interest charges and taxes on income	<u>5,533,008</u>	<u>3,950,902</u>
Depreciation and amortization	1,243,306	1,199,672
Interest charges	223,504	174,032
Taxes on income	<u>2,061,000</u>	<u>1,212,500</u>
Net earnings for the year	<u><u>2,005,198</u></u>	<u><u>1,364,698</u></u>
Net earnings per class B and common share	<u><u>1.15</u></u>	<u><u>.77</u></u>

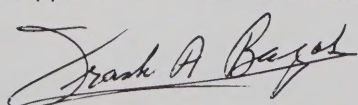
The Becker Milk Company Limited and Subsidiary Companies

Consolidated Balance Sheet

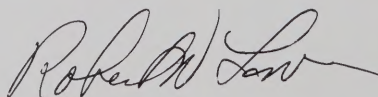
as at April 30, 1974

ASSETS	1974	1973
	\$	\$
Current Assets		
Cash	2,874,147	618,399
Marketable securities — at cost	5,073	5,073
Accounts Receivable	708,147	199,170
Advances to employees	3,647	5,255
Inventories —		
Plant, at lower of cost or net realizable value	1,284,752	1,083,105
Stores, at lower of cost or net realizable value less normal profit margin	3,915,503	3,384,345
Corporation income tax refund due	—	272,487
Prepaid expenses and deposits	341,184	233,790
Chattel mortgages receivable	87,350	33,598
Mortgage receivable	—	13,813
	<u>9,219,803</u>	<u>5,849,035</u>
Investments		
Chattel mortgages receivable — less current portion	263,208	150,590
Mortgage receivable — less current portion	—	16,386
	<u>263,208</u>	<u>166,976</u>
Fixed Assets — Note 2		
Assets — at cost	18,115,254	16,166,941
Less: Accumulated depreciation and amortization	6,981,044	6,189,496
	<u>11,134,210</u>	<u>9,977,445</u>
Other Assets		
Rent deposits	13,580	13,580
Progress draws on building construction	112,912	761,499
Payment in respect of retail sales tax assessment — Note 3	163,375	163,375
Sundry	61,829	60,829
	<u>351,696</u>	<u>999,283</u>

Approved on behalf of the Board:



Director



Director

The accompanying notes are an integral part of the consolidated financial statements

20,968,917

16,992,739

LIABILITIES**1974****1973****\$****\$****Current Liabilities**

Accounts payable and accrued charges	5,936,571	4,448,778
Equipment instalments	—	163
Dividends payable — Note 7	169,583	113,055
Income and other taxes payable	738,161	47,069
Manager bond deposits	—	169,500
Deferred franchise income	18,804	6,419
Sundry mortgages and debenture payable — Note 5	282,447	29,937
	<u>7,145,566</u>	<u>4,814,921</u>

Long-Term Liabilities

Deferred franchise income	153,904	54,195
Series C debentures — less current portion — Note 4	1,800,000	2,000,000
Sundry mortgages payable — less current portion — Note 5	266,340	358,809
Other	48,000	20,000
	<u>2,268,244</u>	<u>2,433,004</u>

Deferred income taxes — Note 6	799,321	702,121
Total liabilities	<u>10,213,131</u>	<u>7,950,046</u>

SHAREHOLDERS' EQUITY**Share Capital**

Authorized —		
8,000 — 6% cumulative class A preference shares with a par value of \$100 each, redeemable at par		
2,459,250 — non-voting, non-cumulative, participating class B preference shares without par value		
640,750 — common shares without par value		
Issued and Fully Paid —		
5,675 — class A shares	567,500	567,500
1,179,610 — class B shares	867,455	867,455
540,750 — common shares	288	288
	<u>1,435,243</u>	<u>1,435,243</u>

Retained earnings — Note 7	9,320,543	7,607,450
	<u>10,755,786</u>	<u>9,042,693</u>
	<u>20,968,917</u>	<u>16,992,739</u>

The Becker Milk Company Limited and Subsidiary Companies

Consolidated Statement of Source and Use of Funds

For the year ended April 30, 1974

	1974	1973
	\$	\$
Source of Funds		
Operations		
Net earnings for the year	2,005,198	1,364,698
Charges not requiring an outlay of funds:		
Depreciation and amortization	1,243,306	1,199,672
Deferred income taxes	97,200	62,500
Sundry	(909)	3,073
	<u>3,344,795</u>	<u>2,629,943</u>
Other		
Increase in deferred franchise income	99,709	41,579
Sundry	28,000	51,883
	<u>3,472,504</u>	<u>2,723,405</u>
Use of Funds		
Purchase of fixed assets (net of disposals) and progress draw payments	1,750,575	2,324,134
Decrease (increase) in mortgages payable - net	92,469	(17,463)
Decrease in manager bond deposits	—	313,375
Dividends	292,105	206,086
Increase in investments	96,232	151,778
Decrease in Series C Debentures	200,000	—
Sundry	1,000	—
	<u>2,432,381</u>	<u>2,977,910</u>
Increase (decrease) in working capital	<u>1,040,123</u>	<u>(254,505)</u>
Working capital at end of year	2,074,237	1,034,114
Working capital at beginning of year	<u>1,034,114</u>	<u>1,288,619</u>
Increase (decrease) in working capital	<u>1,040,123</u>	<u>(254,505)</u>

Notes to Consolidated Financial Statements

as at April 30, 1974

1. BASIS OF CONSOLIDATION

The accounts of the subsidiary companies have been included in the consolidation from the date of their acquisition.

2. FIXED ASSETS

Fixed assets are classified as follows:—

	Cost	Accumulated Depreciation and Amortization	Net Book Value
	\$	\$	\$
Land	1,244,975	—	1,244,975
Buildings and leasehold improvements	5,738,390	1,238,997	4,499,393
Store, production, automotive and office equipment	11,131,889	5,742,047	5,389,842
	<u>18,115,254</u>	<u>6,981,044</u>	<u>11,134,210</u>

3. RETAIL SALES TAX ASSESSMENTS

The Company has contested two assessments levied by the Ontario Retail Sales Tax Department for the period November 1, 1964 to April 30, 1970. The first assessment in the amount of \$163,375 has been paid and the second assessment in the amount of \$272,776 is still unpaid. The Company has received an opinion of legal counsel that at the present time it can successfully defend the foregoing assessments.

4. SERIES C DEBENTURES

The authorized maximum loan from the Company's bankers under these debentures is \$4,000,000. Draw-downs may be made in minimum amounts of \$500,000 to June 30, 1974. Interest on the amounts outstanding will be at 1% above the bank's prime lending rate and is payable quarter yearly. Repayment of the principal is to commence not later than December 31, 1974 in annual principal instalments of not less than 10% of total loans then outstanding. The loan may be prepaid at any time without notice or bonus. The Company's bankers will receive warrants to purchase class B shares at the rate of a warrant to purchase 2,000 shares per \$500,000 loan so drawn-down in excess of \$1,000,000 until warrants to purchase an additional 12,000 shares have been issued. The price per share shall be 10% above the closing bid quotation on the day previous to the draw-down with respect to which the warrants were issued and may be exercisable for a period of five years from the date of the draw-downs. Under an extension agreement, the bank's purchase price for the 4,000 shares per warrants issued to date has been reduced from \$19-1/8 (the price applicable at the date of draw-downs) to \$15 each. The debentures are secured by a charge on all assets presently owned and hereafter acquired. Dividends may be paid on any class of shares provided capital and retained earnings exceed \$3,250,000. Subsequent to the year end, under a further extension agreement, the bank's purchase price for the 4,000 shares per warrants issued to date, has been reduced from \$15 to \$12.50 each. The draw-downs may be made to January 1, 1977. All other terms and conditions remain the same.

5. SUNDRY MORTGAGES PAYABLE

This amount covers 20 mortgages on properties purchased for retail store locations and additional warehouse and/or production facilities. The principal amounts mature up to 1983 with various interest rates not exceeding 11%.

6. DEPRECIATION

Depreciation has been calculated in accordance with the Company's established policy of amortizing the depreciable properties over their estimated useful life, with the exception of trucks and automobiles which have been depreciated at maximum normal rates permitted by regulation under The Canada Income Tax Act. The Company has continued to claim maximum allowances for income tax purposes.

7. DIVIDENDS

On December 31, 1973 the Company declared a dividend of \$6 per share on its class A shares, being the dividend accruing from January 1, 1973 to December 31, 1973. This dividend, totalling \$34,050, was paid on January 2, 1974. Dividends totalling 15¢ per share were declared on class B and common shares during the year.

8. FLOATING CHARGE DEBENTURES

\$450,000 principal amount of debentures of the Company, due on demand and secured by a floating charge, are lodged with the Company's bankers as collateral security for loans outstanding from time to time.

9. REMUNERATION OF DIRECTORS AND OFFICERS

Expenses include \$241,325 (last year \$217,200) for remuneration of officers and \$6,050 for directors' fees (last year \$6,150).

10. LEASES

The minimum annual rentals payable (excluding insurance, property taxes and certain other occupancy charges) under the lease obligations for store locations amount to \$2,065,262. The total minimum rental liability under leases (excluding insurance, property taxes and certain other occupancy charges) to the date of expiry or option, whichever occurs first, amounts to \$11,199,845.

11. SALES

Sales include sales by Company owned stores and sales by the Company to its franchisees.

12. FRANCHISING

As stated in Note 11, only Company sales to franchisees are included in sales. The earned portion of the franchise fees has been taken into income.

13. CONTINGENT LIABILITY

The contingent liability of the Company resulting from the determination of overtime wages relating to certain store managers awaits a decision of the Divisional Court of The Province of Ontario and any appeal therefrom. The Company cannot assess the financial effect at this time.

Subsequent to the year end, the Company has paid \$67,385 in assessments with respect to such managers. Such payments have been made subject to the Company's right to appeal the assessments. The Company has appealed and intends to appeal all such assessments.

LANGLOIS, HAUCK & COMPANY
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of The Becker Milk Company Limited and its subsidiary companies as at April 30, 1974, and the consolidated statements of earnings, retained earnings and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, subject to Note 13, the accompanying consolidated balance sheet and consolidated statements of earnings, retained earnings and source and use of funds present fairly the financial position of The Becker Milk Company Limited and its subsidiary companies as at April 30, 1974, and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario, July 19, 1974

Langlois, Hauck & Company
Chartered Accountants

The Becker Milk Company Limited and Subsidiary Companies

TEN YEARS OF PROGRESS

Year ended April 30

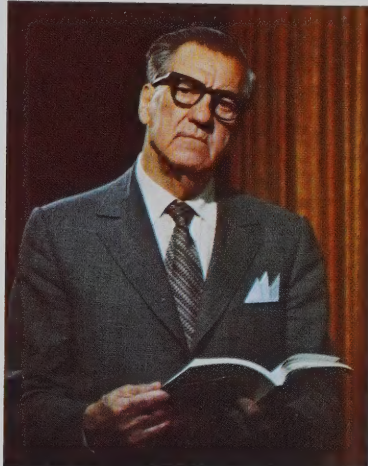
	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sales	82,512,538	76,084,930	68,670,017	56,956,164	50,636,008	42,581,264	34,511,342	27,150,658	19,966,503	14,917,766
Earnings before depreciation and amortization, interest and taxes on income	5,533,008	3,950,902	4,381,989	3,252,808	3,271,049	2,716,803	2,189,374	1,707,740	1,039,740	549,167
Depreciation and amortization (Note 1)	1,243,306	1,199,672	1,110,483	958,516	814,019	693,962	483,576	395,838	315,746	251,170
Interest	223,504	174,032	175,962	195,230	194,858	80,813	51,562	30,038	34,583	21,478
Taxes on income	2,061,000	1,212,500	1,484,400	1,111,560	1,197,800	1,025,431	857,663	656,419	352,646	137,747
Net earnings	2,005,198	1,364,698	1,611,144	1,075,002	1,064,372	916,597	796,573	625,445	336,765	138,772
Shareholders' equity (Note 2)	10,188,286	8,475,193	7,316,581	5,901,457	4,853,593	3,815,981	2,708,463	1,940,340	728,552	391,197
Shares outstanding (Note 2)	1,720,360	1,720,360	1,720,360	1,719,220	1,718,260	1,717,540	1,703,700	1,703,000	1,600,750	1,589,250
Net earnings per class B and common share (Note 3)	1.15	.77	.92	.60	.60	.51	.45	.35	.21	.09
No. of stores (at end of fiscal year)	412	392	374	340	293	251	201	156	127	101
Net fixed asset additions	1,750,575	2,324,134	2,178,436	2,167,127	2,165,236	2,244,977	1,973,365	887,833	655,063	763,908

Notes

- Figures for all years have been adjusted to reflect current Company policy on depreciation and amortization.
- Combined Class B and Common.
- Figures for all years have been adjusted for the ten-for-one stock split of February 28, 1967.
Net earnings per share have been adjusted to allow for the current years Class "A" preference dividend.
Dividends on Class "A" shares from January 1, 1974 to April 30, 1974 amounting to \$11,350 have not been declared and/or allowed in computing the shareholders' equity.

Directors and officers

Frank A. Bazos



Robert W. Lowe



Robert Bazos



E. S. Miles



William H. Zimmerman



Board of Directors

Frank A. Bazos

Robert W. Lowe

Robert Bazos

William H. Zimmerman

E. S. Miles

George Panos

Geoffrey W. J. Pottow

Arvi Magi

Chairman of the Board
The Becker Milk Company Limited
President
The Becker Milk Company Limited
President
Perrette Dairy Limited
Queen's Counsel
Investment Dealer
Vice-President
The Becker Milk Company Limited
Vice-President
The Becker Milk Company Limited
Vice-President — Treasurer
The Becker Milk Company Limited

Officers

Frank A. Bazos

Robert W. Lowe

Robert Bazos

Arvi Magi

George Panos

Geoffrey W. J. Pottow

R. S. Paddon

Chairman of the Board
President
Vice-President
Vice-President and Treasurer
Vice-President
Vice-President
Secretary

Registrar and Transfer Agent

The Royal Trust Company, Toronto and Montreal

Auditors

Langlois, Hauck & Company, Toronto

Solicitors

Aird, Zimmerman & Berlis

Stock Exchange Listing of Class "B" Shares

Toronto Stock Exchange

Head Office

671 Warden Ave., Scarborough, Ontario, Canada

George Panos
on right,
Arvi Magi
on left.



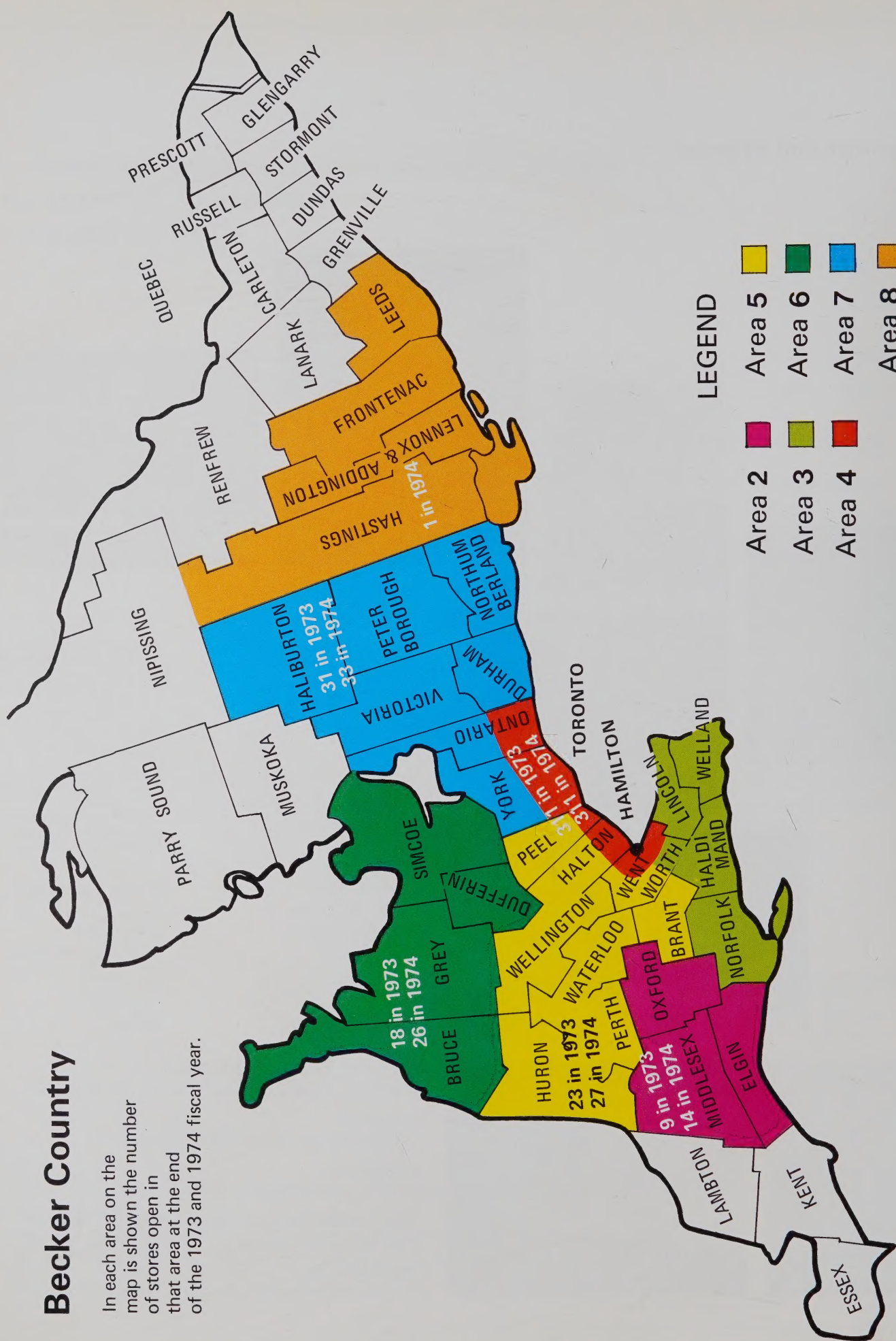
R. S. Paddon



Geoffrey W. J. Pottow

Becker Country

In each area on the map is shown the number of stores open in that area at the end of the 1973 and 1974 fiscal year.





BECKER MILK COMPANY LIMITED, 671 WARDEN AVENUE, SCARBOROUGH, ONTARIO

